

Progressive inspected the motor home on October 30, 2006. The estimated cost of repairs was in the amount of \$927.80. Initially, Progressive did not make any payment because the cost of repairs did not exceed the policy deductible for comprehensive losses and the depreciation or betterment amount for the damage to the awning which was around 20 years old.

Nevertheless, Progressive agreed on November 16, 2006 to pay the cost of repairs less the policy deductible (without any additional deduction for the betterment or depreciation amounts). A settlement check was sent to the plaintiff but that settlement was rejected.

Fourth Defense

Progressive denies that it breached any policy or contract of insurance with the plaintiff as alleged in count I of the complaint. It avers that it had the contractual right to make a deduction for betterment or depreciation; nevertheless, it agreed not to take that deduction in the spirit of compromise.

Fifth Defense

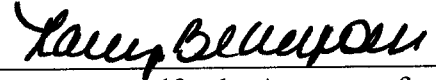
Progressive specifically denies that it acted in bad faith as alleged in count II of the complaint. It avers that this claim against it is frivolous and was not filed with substantial justification as that term is used in the Alabama Litigation Accountability Act and under Rule 11 of the Federal Rules of Civil Procedure.

Sixth Defense

Progressive denies that the plaintiff is entitled to recover the items and amounts of damages alleged in the complaint. It demands strict proof thereof.

Seventh Defense

Progressive reserves the right to amend its answer to raise additional or different defenses in accordance with the court's scheduling order.



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CERTIFICATE OF SERVICE

I hereby certify that I have this the 22 day of December, 2006, served a copy of the foregoing to all attorneys of record by placing a copy of same in the United States Mail, postage prepaid and properly addressed as follows:

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